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SENIOR INTERDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICY

August 11, 1983
4:30 p.m.
Indian Treaty Room

Attendees:

Treasury
Secretary Regan (Chairman)
Beryl Sprinkel
Marc Leland

Office of the Vice President
Donald Gregg

State
Kenneth Dam
W. Allen Wallis
Eleanor Constable

Defense
Dov Zakheim
William Weida

Agriculture
Richard E. Lyng
Daniel Amstutz

Commerce
Secretary Baldrige

OMB
Joseph Wright

USTR
Ambassador Robert Lighthizer
John Ray

CEA
William Poole

OPD
Roger Porter

AID
Richard Derham

NSC
Roger Robinson
Gus Weiss

CIA

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Pipelayers

The first and most urgent topic was a proposal by Secretaries Shultz and Baldrige to eliminate the requirement for validated licenses for the export of pipelayers to the Soviet Union. Secretary Baldrige presented the economic and technical reasons for not imposing such a requirement, including a history of the license requirement initially imposed under the Carter Administration. He noted that the equipment is readily available from foreign sources (as evidenced by the incursion of the Komatsu into the market), the modest level of technology involved, and the absence of a military use for the pipelayers. Secretary Baldrige pointed to the need for business support for the President's Export Program, and suggested not only that the foreign policy signal sent to the Soviets by decontrol was overestimated by those opposed to decontrol, but also that the existing license requirement was not fulfilling its original purpose.

DHS Review Completed.

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Under Secretary Wallis said the Secretary of State wished to make a strong statement in support of removing the license requirement, citing it as the worst example of government interference in commerce. He noted that U.S. negotiations in COCOM on important high technology oil and gas equipment were being hurt by the pipelayer license requirement.

The CIA representative [] echoed the low-technology argument, noting pipelayers are not in the critical path for the Soviet gas pipeline.

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The Defense representative favored retention of the license requirement on the basis that it was in agreement with broad U.S. policy on the Siberian pipeline. Defense stated a three-day turnaround could be implemented for approval of pipelayer applications to minimize the adverse impact on U.S. exporters. The NSC staff representative agreed with this position, noting the difficulty that might be created by a mixed signal being sent by the Administration during the height of the Congressional debate on renewal of the EAA and during allied discussions in COCOM on multilateral controls in the oil and gas field.

OMB supported dropping the license requirement, observing harm done to USG-business relations by this procedure. Agriculture supported dropping the requirement, as did the Office of the Special Trade Representative.

Secretary Regan, noting that he was not privy to all Soviet-U.S. negotiations, observed that he could not sustain the logic of the Defense view of a three-day processing if the pipelayers were to be approved in any event, and that unless there were overriding concerns with other Soviet negotiations, he would recommend removal of the requirement. Secretary Regan called for a separate SIG report to the National Security Advisor, explaining the majority view while expressing Defense and NSC staff reservations.

Defense also noted its desire to have a participation in the State-Commerce year-end review of commodities subject to proscription under foreign policy controls.

UNCTAD-Belgrade

Under Secretary Wallis gave his preliminary assessment of the conference as positive in that good cooperation was sustained among the OECD countries. He noted a lack-luster USSR performance with respect to LDC issues. The United States, for itself, had modest goals, with final assessment of the UNCTAD outcome dependent on G77 and LDC positions in the forthcoming General Assembly session.

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Most frustrating to U.S. policy was the failure to obtain recognition of the need for lower LDC trade barriers and a more responsible LDC role in the world trading system.

Agriculture reported on the drought and the consequent cut of one billion bushels from the previous forecast, to under five billion bushels. The crop carry over would suffice to sustain feedgrains with no near-term effect on the CPI.

The Soviet crop was estimated at 200 million tons, up 15 million tons from last year, but below target.

East-West Public Information Strategy

Under Secretary Wallis submitted a public affairs strategy for advancing our accomplishments in obtaining a unified allied approach to East-West economic relations, describing these results as surprisingly good. He noted that the United States cannot control the policy of other countries, and is therefore dependent on their willingness to agree to a common approach in this area. The purpose of the strategy paper and supporting material was mainly to have the Administration speak with one common voice on the history of our pipeline sanctions and the positive results which followed. The strategy paper was approved unanimously.

Polish Debt

Treasury reported that the United States agreed in principle to participate in technical preparations for a Polish rescheduling on September 15. Both Treasury and State described the considerable political and technical difficulties to be entailed in the rescheduling.

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